



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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August 20, 2002

TO: Internal File

FROM: Wayne H. Western, Team Lead *WHW*

RE: Reclamation Bond Revision, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/039-AM02C-1

SUMMARY:

The Division and the Permittee worked together to calculate the reclamation cost estimate for the Dugout mine. The reclamation costs were calculated on the methodology based in the Handbook for Calculation of Reclamation Bond Amounts by OSM. The reasons for the bond calculation revision are 1) as part of the midterm review the Division update reclamation costs based and 2) in the original reclamation cost estimates, the Permittee made some simplifying earthwork assumption that greatly increased the costs. As part of the updated reclamation cost estimate, the Permittee include detailed earthwork calculations.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of Bond Amount

The current bond amount for the Dugout Mine is \$3,682,000 in 2003 dollars. The bond was original calculated as part of the permitting process. Due to time constrains the Permittee was unable to develop detailed earthwork calculations, so the elected to use highly conservative assumptions when calculating the reclamation cost estimate.

TECHNICAL MEMO

The Division agreed to accept the earthwork calculation with the understanding that the Permittee would revise the reclamation cost estimate with methods recommended in OSM's Handbook for Calculation of Reclamation Bond Amounts.

During the summer of 2002, the Permittee submitted detailed reclamation cost data to the Division. The Division reviewed the data and calculated the reclamation cost for the Dugout mine to be \$1,645,000 in 2003 dollars. The bond calculations for the Dugout mine are located in the "O" drive under the Dugout mine in the bond folder. The Permittee include a copy of the Division reclamation cost estimate in the amendment. The Division's reclamation cost estimate will be part of the MRP.

Because the posted bond amount is greater than the reclamation cost estimate calculated by the Division, the Division will not require the Permittee to take any action at this time. However, the Division should inform the Permittee that they could reduce the bond amount from \$3,682,000 to \$1,645,000.

Findings:

The information provided in the amendment meets the minimum bonding and insurance requirements section of the regulations.

RECOMMENDATIONS:

The Division should approve the amendment and notify the Permittee that they have the option of reducing the bond from \$3,682,000 to \$1,645,000.